

ROYAL ROADS CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
Form 51-102FI

For the year ended
December 31, 2004

The following discussion and analysis of the financial position and results of operations for Royal Roads Corp. (the "Company") should be read in conjunction with the audited financial statements and the notes thereto for the years ended December 31, 2004 and 2003.

Management provides information that it believes to be relevant to the assessment and understanding of the Company's results of operations and financial condition. Certain statements in this document contain forward-looking assumptions and information which is subject to both identified and unidentified risks and uncertainties. No assurance can be provided as to future performance and results. Management's projections involve risks and readers are cautioned that actual results may differ materially from those stated, anticipated or implied in these forward-looking statements.

Date

The following management discussion and analysis is for the period ended December 31, 2004 and includes relevant information up to April 30, 2004 ("Report Date"). Additional information relating to the Company can be viewed on SEDAR at www.sedar.com.

Description of Business and Report Date

The Company is a mineral exploration company engaged in the business of acquiring and exploring mineral properties. The Company has interests in properties in Canada. The Company's properties are currently at an "exploration stage".

The Company has no producing properties, no operating income or cash flow and funds its operations through the proceeds from equity financings.

Highlights for the Year Ended December 31, 2004

Tulks North Property, Newfoundland and Labrador

In February 2004, the Company notified Noranda, Inc. that the Company had earned a 100% interest in the Tulks North property ("Tulks North Property") pursuant to the terms of a letter agreement, dated November 23, 1999, as amended ("Noranda Agreement"). During the year the Company issued 250,000 common shares to Noranda, Inc. as required by the Noranda Agreement.

In November 2004, the Company raised \$250,000 to conduct additional exploration work on the Tulks North Property. As a result of difficulties securing adequate drilling rig crews and equipment, the anticipated 2004 drilling was postponed until early 2005.

Subsequent to the year end, the Company announced its preliminary drilling program for 2005 (See SEDAR for News Release dated January 5, 2005). The program was designed to test several known Zn in soil anomalies and further delineate the copper-lead-zinc-silver-gold deposit on the Daniel's Pond. Results received to date relating to the 2005 drill program have been disclosed under News Release dated March 23, 2005. Additional results from the 2005 drilling program announced on January 5, 2005 will be released when available.

Based upon the drilling results received to date for 2005 and subject to additional financing, it is anticipated that the Company will expand its 2005 exploration and drilling program on the Tulks North Property. Based on the Tulks North mineral leases annual maintenance requirements for 2005, it is anticipated that the Company will spend an additional \$250,000 to further develop the property during the

balance of the calendar year. The actual expenditures will depend on a number of variables including the availability of additional equity capital and the development of the exploration program which is currently under consideration by the board of directors.

The Company's exploration program is being conducted under the supervision of Peter Dadson, P. Geol. a "Qualified Person" as defined in National Instrument 43-101.

For more detailed information on the Tulks North Property please refer to the Technical Report prepared by Taiga Consultants Ltd. and filed on SEDAR.

Results of Annual Operations

General and administrative expenses for the year ended December 31, 2004 were \$70,204 compared to \$50,188 in 2003. The increase in expenses was primarily due to \$12,553 (2003-\$0) in non-cash stock based compensation charges relating to stock options issued in 2004. In addition, consulting fees paid in 2004 were \$0 or \$3,000 less than in 2003, while legal expenses paid increased in 2004 to \$18,298 (2003-\$15,874).

The prior year 2003 financial results have been restated to reflect the correction of an error. During 2003 consulting fees in the amount of \$24,000 were accrued when none should have been accrued. The correction of the error resulted in consulting fees decreasing by \$24,000 and net income increasing by the corresponding amount. Accounts payable was also adjusted down by the same amount.

Throughout the year, the board of directors strategy was to maintain expenses as low as possible in order to ensure that as much of the Company's capital as possible is directed towards advancing the Company's mineral properties in Newfoundland.

Results of Operations for the Quarter Ended December 31, 2004

For the three month period ended December 31, 2004 revenue of \$33 relates entirely to interest earned on funds on hand. General and Administrative expenses of \$14,249 relates primarily to costs incurred as a result of legal expenses and general costs associated with maintaining the corporate office. The loss for the period was \$14,216 or \$0.00 per common share.

Related Party Transactions

During the year, the Company paid or accrued consulting fees of \$nil (2003-\$3,000) to a company controlled by a former officer and director. As at December 31, 2004, \$nil (2003-\$nil) is outstanding and included in accounts payable.

During the year, the Company paid fees of \$18,296 (2003-\$15,874) to a legal firm, of which a director of the Company is also a partner at the law firm. At year-end, \$nil (2003-\$nil) is outstanding and included in accounts payable.

Selected Annual Information

The following is selected annual information from the audited financial statements for the periods ended December 31, 2004, 2003, and 2002.

	2004 (\$)	2003 (\$)	2002 (\$)
Total Revenues	69	40,525	1,928
G & A Expense	76,135	74,188	133,138
Loss for the period	22,135	33,633	155,802
Loss per share	.002	0.001	0.01

	2004 (\$)	2003 (\$)	2002 (\$)
Total Assets	1,228,264	1,013,757	844,995
Total long-term liabilities	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil

The following is selected quarterly information from the financial statements for the periods ended March 31, June 30, September 30 and December 31, 2004, and 2003, respectively.

For the 3 Months Ended	Dec 31, 04 (\$)	Sep 30, 04 (\$)	Jun 30, 04 (\$)	Mar 31, 04 (\$)
Total Revenues	33	0	19	17
G & A Expense	14,249	24,815	23,669	13,402
Loss (Gain) for the period	14,216	24,815	23,650	13,385
Loss per share	0.00	0.00	0.00	0.00
Total Assets	1,228,264	986,736	981,882	1,003,417
Total long-term liabilities		Nil	Nil	Nil
Cash dividends per share		Nil	Nil	Nil

For the 3 Months Ended	Dec 31, 03 (\$)	Sep 30, 03 (\$)	Jun 30, 03 (\$)	Mar 31, 03 (\$)
Total Revenues	40,489	0	27	63
G & A Expense	12,302	20,115	23,398	14,472
Loss (Gain) for the period	(28,187)	20,115	23,371	14,409
Loss per share		0.00	0.00	0.00
Total Assets	1,013,757	822,816	753,356	758,715
Total long-term liabilities	Nil	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil	Nil

Discussion of Property Expenditures

In 2004, \$166,256 of expenses relating directly to the ongoing development of the Tulks North Property were capitalized. Of this amount \$60,298 was a result of acquisition expenditures while \$105,959 in expenditures were the result of deferred expenditures. Of this amount \$6,665 was related to administrative costs, \$71,189 was related to geology and geophysics expenses and \$28,105 was related to drilling expenses.

In 2003, \$475,221 (\$386,250 inclusive of \$88,971 of grants under the Newfoundland Junior Company Assistance Program) of expenses relating directly to the ongoing development of the Tulks North Property were capitalized. Of this amount \$184,967 was a result of acquisition expenditures, while \$290,254 in expenditures were the result of deferred expenditures. Of this amount \$9,554 was related to administrative costs, \$126,440 was related to geology and geophysics expenses, \$26,299 was related to assays and \$127,961 was related to drilling expenses.

Liquidity and Cash Reserves

As at December 31, 2004, the Company had \$238,370 in cash and cash equivalents versus \$81,397 at December 31, 2003. Liabilities decreased from \$38,029 at December 31, 2003 to \$5,368 at December 31, 2004. Subsequent to year end, the Company began its planned drilling program on the Tulks North Property. Based on the estimated drilling budget, the Company expects to expend most of the cash on hand in the first and second quarters of 2005.

The Company had working capital of \$235,242 as at December 31, 2004.

During the year the Company issued 3,476,071 common shares for gross cash proceeds of \$279,750, of which 1,500,000 common shares were issued on a flow through private placement basis, 1,428,571 common shares were issued pursuant to a private placement, 250,000 common shares were issued upon exercise of warrants, 250,000 common shares were issued for mineral properties and 47,500 common shares were issued upon exercise of agent warrants. Of the shares issued in 2004, 250,000 shares were issued to Noranda Inc. for no cash consideration as required under Noranda Agreement. Future operations are dependent on raising equity capital through the sale of common shares.

Outstanding Share Data

The share capital of the Company consists of an unlimited number of common shares, without nominal or par value and an unlimited number of preferred shares, without nominal or par value of which 35,764,369 common shares were issued and outstanding as at December 31, 2004 and no preferred shares were issued. Following is a description of the outstanding equity securities and convertible securities of the Company issued as at December 31, 2004.

	Number of Securities	Amount (\$)
Balance, Dec. 31, 2003	32,288,298	2,966,018
Issued for property acquisition	250,000	25,000
Warrants exercised @ \$0.10	47,500	4,750
Warrants exercised @ \$0.10	250,000	25,000
Common Shares issued	2,928,571	250,000
Total	3,476,071	304,750
Balance, December 31, 2004	35,764,369	3,270,768
Stock Options and Warrants		
Full share warrants (Expire October 15, 2005)	3,250,000	\$0.10
Stock Options (expire July 2, 2009)	1,250,000	\$0.10

Of the 35,764,369 common shares issued and outstanding as at December 31, 2004, 1,842,750 (2003-2,632,500) common shares were held in escrow.

Stock Options and Warrants

The Company has established a stock option plan for its directors, officers, consultants and employees under which the Company is authorized to grant options to acquire a maximum number of common shares equal to ten (10%) per cent of the total issued and outstanding common shares of the Company from time to time. To date the Company has granted options to purchase 1,250,000 common shares of the Company to directors, officers and consultants of the Company exercisable at \$0.10 per common share. These stock options vest as to one third thereof upon issuance and as to one third thereof on July 2, 2005 and July 2, 2006 and expiry on July 2, 2009.

On October 5, 2004 stock options to purchase 75,000 common shares exercisable at \$0.18 per common share expired unexercised.

As at December 31, 2004 the Company had warrants outstanding to purchase 3,250,000 common shares having an exercise price of \$0.10 per common share and exercisable until October 15, 2005.

On July 12, 2004 share purchase warrants for 1,740,000 common shares exercisable at \$0.10 per share and 370,000 share purchase warrants exercisable at \$0.17 per common share expired unexercised.

Stock-based compensation relates to the fair value of stock options granted to directors, officers, employees and consultants calculated at the date of the grant and expensed over the vesting period of the

option. The fair value is determined using the black-scholes option pricing model which takes into account the risk free interest rate, the expected life of the options, the expected volatility and expectation of dividends being paid during the life of the options. Stock-based compensation expenses related thereto based on the fair value method for options issued during the period amounted to \$12,553.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities. As at December 31, 2003 there were no significant differences between the carrying amounts of these financial instruments as reported on the balance sheets and their estimated fair values. Management does not believe that the Company is exposed to significant interest risk.

The Company's financial instruments that are exposed to a credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are with major Canadian financial institutions. Accounts receivable consists of Goods and Services Tax recoverable and government grants and is subject to a maximum credit risk of the value of the refunds and grants should an audit result in complete denial of amounts claimed.

Government Assistance

In 2004 the Company did not apply for or receive grants under the Junior Company Assistance Program ("JCAP") from the Government of Newfoundland (2003-\$88, 971). Any amounts received under the JCAP are included in accounts receivable and have been offset against mineral expenditures.

Contractual Obligations

Other than described herein, as at the year end December 31, 2004 the Company had no material contractual obligations or lease arrangements.

Off-balance Sheet Obligations

As at the year end December 31, 2004 the Company had no off-balance sheet obligations.

Critical Accounting Estimates

Significant accounting policies used by the Company are disclosed in note 2 of the financial statements for the financial year ended December 31, 2004. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

ROYAL ROADS CORP.
(A Development Stage Entity)

FINANCIAL STATEMENTS

DECEMBER 31, 2004 and 2003

AUDITOR'S REPORT

To the Shareholders of
Royal Roads Corp.

I have audited the balance sheet of Royal Roads Corp. (a Development Stage Entity) as at December 31, 2004 and 2003 and the statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smith Chartered Accountant"

Calgary, Alberta
April 24, 2005

CHARTERED ACCOUNTANT

ROYAL ROADS CORP.
(A Development Stage Entity)

BALANCE SHEET
AS AT DECEMBER 31

	<u>2004</u>	<u>2003</u>
		Note 9
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 238,370	\$ 81,397
Accounts receivable	<u>2,240</u>	<u>110,962</u>
	240,610	192,359
MINERAL PROPERTIES - (Notes 2 and 3)	<u>986,814</u>	<u>820,558</u>
TOTAL ASSETS	<u><u>\$ 1,227,424</u></u>	<u><u>\$ 1,012,917</u></u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	<u>5,368</u>	<u>38,029</u>
TOTAL LIABILITIES	<u>5,368</u>	<u>38,029</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL - (Note 4)	3,216,768	2,966,018
CONTRIBUTED SURPLUS - (Note 4)	12,553	-
DEFICIT	<u>(2,007,265)</u>	<u>(1,991,130)</u>
	<u>1,222,056</u>	<u>974,888</u>
	<u><u>\$ 1,227,424</u></u>	<u><u>\$ 1,012,917</u></u>

APPROVED BY THE BOARD:

"Michael J. Perkins" Director

"Robert B. Fraleigh" Director

See accompanying notes to the financial statements

ROYAL ROADS CORP.
(A Development Stage Entity)

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31

	<u>2004</u>	<u>2003</u>
		Note 9
REVENUE:		
Interest	\$ 69	\$ 134
Other income	<u>-</u>	<u>40,391</u>
EXPENSES:		
Audit and accounting	12,711	9,097
Consulting fees	-	3,000
Filing fees	8,618	5,519
Interest and bank charges	279	361
Office supplies	5,944	7,217
Legal fees	18,296	15,874
Regulatory	3,617	3,050
Supplies	1,000	755
Stock based compensation	12,553	-
Telephone	396	285
Travel	866	66
Transfer agent	<u>5,924</u>	<u>4,964</u>
	<u>70,204</u>	<u>50,188</u>
Write down of mineral properties	<u>-</u>	<u>-</u>
LOSS BEFORE INCOME TAXES	(70,135)	(9,663)
FUTURE INCOME TAX	<u>(54,000)</u>	<u>-</u>
NET LOSS FOR THE YEAR	(16,135)	(9,663)
DEFICIT - beginning of year	<u>(1,991,130)</u>	<u>(1,981,467)</u>
DEFICIT - end of year	<u>\$ (2,007,265)</u>	<u>\$ (1,991,130)</u>
Basic and diluted loss per share	<u>\$ (0.002)</u>	<u>\$ (0.007)</u>

See accompanying notes to the financial statements

ROYAL ROADS CORP.
(A Development Stage Entity)

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	<u>2004</u>	<u>2003</u>
		Note 9
OPERATING ACTIVITIES:		
Net loss for the year	\$ (16,135)	\$ (9,663)
Items not affecting cash		
Stock based compensation	12,553	-
Future income tax	<u>(54,000)</u>	<u>-</u>
	(57,582)	(9,663)
Change in assets and liabilities:		
Accounts receivable	108,722	28,066
Accounts payable and accrued liabilities	<u>(32,661)</u>	<u>(235,240)</u>
Cash flows from (used for) operating activities	<u>18,479</u>	<u>(216,837)</u>
FINANCING ACTIVITIES:		
Issuance of share capital	<u>279,750</u>	<u>385,000</u>
Cash flows from (used for) financing activities	<u>279,750</u>	<u>385,000</u>
INVESTING ACTIVITIES:		
Mineral property expenditures, net of assistance	<u>(141,256)</u>	<u>(157,142)</u>
INCREASE IN CASH	156,973	11,021
CASH - Beginning of year	<u>81,397</u>	<u>70,376</u>
CASH - End of year	<u>\$ 238,370</u>	<u>\$ 81,397</u>
CASH - end of year consists of:		
Cash	\$ 233,370	\$ 76,397
Term deposits	<u>5,000</u>	<u>5,000</u>
	<u>\$ 238,370</u>	<u>\$ 81,397</u>
Supplemental information:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes to the financial statements

ROYAL ROADS CORP.
(A Development Stage Entity)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

1. NATURE OF OPERATIONS

The Company, considered to be in the development stage, is in the process of exploring mineral properties in Canada. The Company has not yet determined whether these properties contain economic reserves.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents include those short-term money market instruments which, on acquisition, have a term to maturity of three months or less. Cash includes a \$5,000 term deposit lodged in support of B.C. Mines and Minerals.

b) Mineral Properties

The costs of acquiring mineral properties and related exploration expenditures are deferred until the properties are brought into production, at which time they will be amortized on a unit-of-production basis, or until the properties are abandoned, sold, or considered to be impaired in value, at which time the cost of the properties and related deferred expenses are written down.

The Company is in the process of exploring its mineral properties and has not yet determined the amount of reserves available in its properties. Senior management regularly reviews the carrying values of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests are in good standing.

ROYAL ROADS CORP.
(A Development Stage Entity)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

2. SIGNIFICANT ACCOUNTING POLICIES - continued

c) Foreign Currency Translation

Foreign currency transactions and balances of the Company are translated using the temporal method. Under this method, monetary assets and liabilities are remeasured in Canadian dollars at year-end exchange rates and gains on losses from remeasurement are recognized in income. Non-monetary assets and liabilities are measured at the rates prevailing at the transaction dates. Revenue and expenses are remeasured at the average exchange rate prevailing on the date the transaction occurs.

d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

e) Asset Retirement Obligations

The recommendations of CICA Handbook Section 3110, *Asset Retirement Obligations*, became effective on January 1, 2004. This section requires the recognition of a liability for legal obligations relating to the retirement of property, plant and equipment and obligations arising from the acquisition, construction, development, or normal operations of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying value of the asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

No liability accrual has been recorded as the Company is in the exploration stage on its properties and no reasonable estimate of fair value of the liability can be made. There is no effect on prior years as a result of adopting this new recommendation.

f) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment occurs. Income tax expense for the period is the tax payable for the period and the change during the period in future income tax assets and liabilities.

ROYAL ROADS CORP.
(A Development Stage Entity)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

2. SIGNIFICANT ACCOUNTING POLICIES - continued

g) Loss Per Share

The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the period. The weighted average and fully diluted weighted average number of common shares outstanding during the year ended December 31, 2004 were 33,121,053 and 33,187,481 (2003 - 29,723,294).

h) Stock Based Compensation

The Company follows the fair-value method of accounting for stock-based compensation to employees and non-employees. Under this method, the fair value is determined for options at the date of grant, and that such fair value is recognized in the financial statements. This change in accounting policy has been applied on a prospective basis in accordance with the transitional provisions of the CICA Handbook Section 3870.

3. MINERAL PROPERTIES

Tulks North

The Tulks North property comprises seven contiguous mineral claim licenses located in the Buchans Mining district of west-central Newfoundland. The Company's expenditures on the project over the last two years are as follows:

	2004	2003
Balance, beginning of year	\$ 820,557	\$ 434,308
Acquisition expenditures	60,298	184,967
Deferred Expenditures		
Administration	6,665	9,554
Consulting Geology and Geophysics	71,189	126,440
Assays	-	26,299
Drilling	28,105	127,961
Government Grants	-	(88,971)
Balance, end of year	<u>\$ 986,814</u>	<u>\$ 820,558</u>

ROYAL ROADS CORP.
(A Development Stage Entity)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

3. MINERAL PROPERTIES - continued

The Company has earned a 100% interest in the claims from Noranda Inc. Upon the property vesting, 250,000 shares of the Company were issued to Noranda Inc. and a further 500,000 shares are to be issued upon achieving commercial production. Noranda Inc. will retain a 1.5% net smelter return interest from any production from the property and Noranda Inc., upon discovery of a single deposit greater than 15 million tonnes, has the right to buy back 50% of the interest for \$3,000,000 plus twice the Company's aggregate exploration expenditures.

4. SHARE CAPITAL

a) Authorized:

Unlimited number of:

Common voting shares

Preferred shares issuable from time to time in one or more series

	<u>#</u>	<u>\$</u>
Issued:		
Balance, December 31, 2002	28,160,048	\$ 2,596,343
Issued for cash pursuant to private placement	3,850,000	385,000
Issued for settlement of trade payables	<u>278,250</u>	<u>27,825</u>
Balance, December 31, 2003	32,288,298	3,009,168
Issued for cash pursuant to flow through private placement	1,500,000	150,000
Tax cost recognized on flow through shares	-	(54,000)
Issued for cash pursuant to private placement	1,428,571	100,000
Issued for cash upon exercise of warrants	250,000	25,000
Issued for mineral properties (Note 4)	250,000	25,000
Issued for cash upon exercise of agent warrants	<u>47,500</u>	<u>4,750</u>
Balance, December 31, 2004	<u>35,764,369</u>	\$ 3,259,918
Less: Share issue costs		(43,150)
Net Share Capital at December 31, 2004		<u>\$ 3,216,768</u>

At December 31, 2004, 1,842,750 (2003 - 2,632,500) common shares were escrowed.

Stock Options Outstanding:

	<u>2004</u>	<u>2003</u>
Options outstanding, beginning of year	175,000	175,000
Expired during the year	(175,000)	-
Granted during the year	<u>1,250,000</u>	<u>-</u>
Options outstanding, end of year	<u>1,250,000</u>	<u>175,000</u>

The options outstanding at year end vest one-third per year, have an exercise price of \$0.10 per share and expire July 2, 2009.

ROYAL ROADS CORP.
(A Development Stage Entity)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

4. SHARE CAPITAL - continued

Warrants Outstanding

	2004	2003
Warrants outstanding, beginning of year	9,028,000	8,028,000
Exercised	(297,500)	-
Expired	(5,480,500)	-
Granted	<u>-</u>	<u>1,000,000</u>
Total warrants outstanding	<u>3,250,000</u>	<u>9,028,000</u>

b) Flow-through Share Agreements

During the year, the Company entered into flow-through share agreements, whereby the Company agreed to issue 1,250,000 (2003 - 1,000,000) flow-through common shares, in consideration of renouncing \$125,000 (2003 - \$100,000) in qualifying expenditures prior to year-end.

c) Stock-based Compensation

During the year, the Company issued options to acquire 1,250,000 common shares for an exercise price of \$0.10 per share to employees and directors of the Company, and recorded a compensation expense in the amount of \$12,553 for these options. The fair value of these options was estimated at the date of grant using a Black-Scholes pricing model with the following weighted average assumptions: risk free interest rates of 4.0%; dividend yields of 0%; volatility factors of the expected market price of the Company's common stock of 0.25; and a weighted average expected life of the option of 5 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of the traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimated, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

5. INCOME TAXES

- a)** Income taxes recorded on the statement of operations and deficit differ from the tax calculated by applying the combined federal and provincial income tax rate to income before taxes as follows:

	2004	2003
Calculated income tax expense (recovery)	\$ (25,248)	\$ (3,479)
Recognition of loss carry forward	<u>(28,752)</u>	<u>3,479</u>
Tax provision	<u>\$ (54,000)</u>	<u>\$ -</u>

ROYAL ROADS CORP.
(A Development Stage Entity)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

5. INCOME TAXES - continued

The Company has accumulated non-capital losses of \$406,000 which can be carried forward to reduce future taxable income. These losses, if not utilized, will expire as follows:

2005	-	49,000
2006	-	34,000
2007	-	52,000
2008	-	61,000
2009	-	131,000
2010	-	9,000
2011	-	70,000

In addition, the Company has undeducted mineral expenditures of approximately \$1,026,654 that can be offset against future taxable income.

b) Future Tax Balances:

The tax effects of temporary differences that give rise to future income tax assets and future income tax liabilities at December 31 are as follows:

Future tax assets:	
Mineral properties	\$ 14,342
Share issue costs	15,534
Non-capital losses	<u>146,738</u>
	176,614
Future tax liabilities:	
Flow through shares	(54,000)
Valuation allowance	<u>(122,614)</u>
Total future tax asset	<u>\$ -</u>
In light of the Company's history of operating losses, a valuation allowance has been provided for the future tax asset.	

6. FINANCIAL INSTRUMENTS

a) Fair Values of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities. As at December 31, 2004 there were no significant differences between the carrying amounts of these financial instruments as reported on the balance sheets and their estimated fair values. Management does not believe that the Company is exposed to significant interest risk.

b) Credit Risk

The Company's financial instruments that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are with major Canadian financial institutions. Accounts receivable consists of Goods and Services Tax recoverable and government grants and is subject to a maximum credit risk of the value of the refunds and grants should an audit result in complete denial of amounts claimed.

ROYAL ROADS CORP.
(A Development Stage Entity)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

7. RELATED PARTY TRANSACTIONS

During the year, the Company paid fees of \$17,793 (2003 - \$15,874) to a legal firm, of which a director of the Company is also a partner at the law firm. At year-end there were no outstanding amounts. The fees were recorded at the exchange amount.

During the year, the Company paid consulting fees of \$Nil (2003 - \$3,000) to a company controlled by a former director. No amounts were outstanding at year-end. The fees were recorded at the exchange amount.

8. GOVERNMENT ASSISTANCE

The Company has applied for and received approval for a grant in the amount of \$Nil (2003 - \$88,971) under the Junior Company Assistance Program from the Government of Newfoundland. The entire amount is included in 2003 accounts receivable and has been offset against mineral expenditures.

9. PRIOR YEAR FIGURES

The prior years figures have been restated to reflect the correction of an error. During the prior year, consulting fees in the amount of \$24,000 were accrued when none should have been accrued. The correction of the error resulted in consulting fees decreasing by \$24,000 and net income increasing by the corresponding amount. Accounts payable was also adjusted by the same amount. Certain prior year figures have been reclassified to conform to current year presentation.

ROYAL ROADS CORP.

**ANNUAL AND SPECIAL GENERAL MEETING
OF SHAREHOLDERS**

TO BE HELD ON JUNE 22, 2005

**NOTICE OF MEETING AND MANAGEMENT PROXY
AND INFORMATION CIRCULAR**

THIS NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF ROYAL ROADS CORP. OF PROXIES TO BE VOTED AT THE ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS OF ROYAL ROADS CORP. TO BE HELD ON JUNE 22, 2005.

TO BE HELD AT

**Suite 1800, 505 - 3rd Street S.W.
Calgary, Alberta**

AT 10:00 A.M.

ROYAL ROADS CORP.

**Suite 1800, 505 - 3rd Street S.W.
Calgary, Alberta
T2P 3E6**

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF COMMON SHAREHOLDERS OF ROYAL ROADS CORP.

NOTICE IS HEREBY GIVEN THAT the annual and special general meeting (the "Meeting") of holders of common shares of Royal Roads Corp. (the "Corporation") will be held at Suite 1800, 505 - 3rd Street S.W., Calgary, Alberta, on June 22, 2005 at 10:00 a.m., (Calgary time), for the following purposes.

1. To consider the audited financial statements of the Corporation for the financial year ended December 31, 2004 and the report of the auditors thereon;
2. To fix the board of directors of the Corporation to be elected at the Meeting at five members and to elect the board of directors of the Corporation for the ensuing year;
3. To appoint Smith Chartered Accountants, as auditor of the Corporation for the ensuing year and to authorize the board of directors of the Corporation to fix the auditor's remuneration;
4. To consider, and if thought appropriate, to approve, with or without variation, an ordinary resolution, as more particularly set forth in the accompanying management information circular prepared for the purposes of the Meeting, relating to the renewal and adoption of the stock option plan of the Corporation; and
5. To transact any such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders who are unable to attend the Meeting in person are requested to date and execute the enclosed form of instrument of proxy and return it in the envelope provided for that purpose.

DATED at the City of Calgary, in the Province of Alberta, this 18th day of May, 2005.

BY ORDER OF THE BOARD OF DIRECTORS

"Robert B. Fraleigh"

Robert B. Fraleigh

President and Chief Executive Officer

IMPORTANT

It is desirable that as many shares as possible be represented at the Meeting. If you do not expect to attend and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. To be valid, all instruments of proxy must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays prior to the time of the Meeting or any adjournment thereof. Late instruments of proxy may be accepted or rejected by the Chairman of the Meeting in his discretion and the Chairman is under no obligation to accept or reject any particular late instruments of proxy.

ROYAL ROADS CORP.

ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

JUNE 22, 2005

SUITE 1800, 505 - 3rd STREET S.W.
CALGARY, ALBERTA

MANAGEMENT INFORMATION CIRCULAR

PERSONS MAKING THE SOLICITATION

This management information circular ("Circular") is furnished in connection with the solicitation of proxies by the management of Royal Roads Corp. (the "Corporation"), to be used at the annual and special general meeting (the "Meeting") of holders of common shares ("Common Shares") of the Corporation, to be held on June 22, 2005, at the hour of 10:00 a.m., (Calgary time) at Suite 1800, 505 - 3rd Street S.W., Calgary, Alberta T2P 3E6 or at any adjournment thereof for the purposes set out in the accompanying notice of meeting (the "Notice").

The costs incurred in the preparation and mailing of both the instrument of proxy and this Circular will be borne by the Corporation. In addition to the use of mail, proxies may be solicited by personal interviews, personal delivery, telephone or any form of electronic communication or by directors, officers and employees of the Corporation who will not be directly compensated therefor.

In accordance with National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation. The record date to determine the registered shareholders entitled to receive Notice of the Meeting is May 18, 2005 (the "Record Date").

APPOINTMENT, VOTING AND REVOCATION OF PROXIES

Appointment

The persons named (the "Management Designees") in the accompanying instrument of proxy have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. Any shareholder has the right to appoint a person or company (who need not be a shareholder) other than the Management Designees to attend and to vote and act for and on behalf of such person at the Meeting. In order to do so the shareholder may insert the name of such person in the blank space provided in the instrument of proxy, or may use another appropriate form of proxy. All instruments of proxy must be deposited with Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario M5J 2Y1, not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or any adjournment thereof. The Chairman of the Meeting may refuse to recognize any instrument of proxy received after such time.

Voting

Common Shares represented by any properly executed proxy in the accompanying form will be voted or withheld from voting on any ballot that may be called for in accordance with the instructions given by the shareholder. In the absence of such direction, the Common Shares will be voted in favour of the matters set forth herein.

The accompanying instrument of proxy confers discretionary authority on the Management Designees with respect to amendments or variations to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting. As of the date hereof, management of the Corporation is not aware of any such amendments, variations or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgement of management of the Corporation.

Revocation

In addition to revocation in any other manner permitted by law, a shareholder may revoke a proxy by an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing and deposited either at the registered office of the Corporation, 1000, Canterra Tower, 400 Third Avenue SW, Calgary, Alberta, T2P 4H2, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Beneficial Holders

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to herein as "Beneficial Shareholders") should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, *not* be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depositary for Securities, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP") in Canada. ADP typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to ADP, or otherwise communicate voting instructions to ADP (by way of the Internet or telephone, for example). ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives an ADP voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to ADP (or instructions respecting the voting of Common Shares must otherwise be communicated to ADP) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Circular and the accompanying instrument of proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

Registered Shareholders

Registered holders of Common Shares as shown on the shareholders' list prepared as of the Record Date will be entitled to vote such shares at the Meeting on the basis of one vote for each Common Share held, except to the extent that the person has transferred the ownership of any of his Common Shares after the Record Date, and the transferee of those shares produces

properly endorsed share certificates, or otherwise establishes that he owns the Common Shares, and demands, not later than ten (10) days before the Meeting, or shorter period before the Meeting that the by-laws of the Corporation may provide, that his name be included in the list before the Meeting, in which case the transferee is entitled to vote his Common Shares at the Meeting.

As of the Record Date, 36,014,369 of the Corporation's unlimited authorized voting Common Shares were issued and outstanding. The Corporation is also authorized to issue an unlimited number of preferred shares, none of which are issued. In addition, there are 1,250,000 Common Shares issuable upon exercise of previously granted stock options and 3,250,000 Common Shares issuable upon exercise of previously issued share purchase warrants. In addition, as at December 31, 2004, 1,842,750 Common Shares remained in escrow.

The By-laws of the Corporation provide that a quorum for the transaction of business at the Meeting shall be one (1) or more persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy for an absent shareholder so entitled and together holding or representing in person or by proxy not less than five (5%) percent of the outstanding Common Shares entitled to vote at the Meeting.

The following table sets forth information as of the Record Date with respect to each person who, to the knowledge of the directors and executive officers of the Corporation, beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares.

Name and Municipality	Type of Ownership	Number of Shares	% of Class
George W. Oughtred, ⁽¹⁾ Calgary, Alberta	Indirect	10,030,500	27.85%

Notes:

- (1) These Common Shares are owned by Privatbanken Holdings Inc., a private Alberta corporation wholly owned by George W. Oughtred, a nominee director of the Corporation.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation of Directors

During the financial year ended December 31, 2004, the Corporation paid no cash compensation (including salaries, director's fees, commissions, bonuses paid for services rendered, bonuses paid for services rendered in a previous year, and any compensation other than bonuses earned by the directors for services rendered) to the directors in their capacity as directors for services rendered except that the Corporation reimburses the out-of-pocket expenses of its directors incurred in connection with attendance at or participation in meetings of the board of directors.

Executive officers of the Corporation who also act as directors of the Corporation, do not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such executive officers in their capacity as executive officers. See "Compensation of Executive Officers".

The Corporation has a stock option plan (the "Plan") for the granting of incentive stock options to the officers, employees and directors of the Corporation. The purpose of granting such options is to assist the Corporation in compensating, attracting, retaining and motivating the directors of the Corporation and to closely align the personal interests of such persons to that of the shareholders. The Corporation granted an aggregate of 925,000 stock options to directors during the most recently completed financial year.

Compensation of Executive Officers

Securities legislation requires the disclosure of compensation received by each "Named Executive Officer" of the Corporation for the three most recently completed financial years. "Named Executive Officer" is defined by the legislation to mean (i) each of Chief Executive Officer and Chief Financial Officer of the Corporation, despite the amount of compensation of that individual, (ii) each of the Corporation's three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus exceeds \$150,000, and (iii) any additional individual for whom disclosure would have been provided under (ii) but for the fact that the individual was not serving as an executive officer of the Corporation at the end of the most recently completed financial year end of the Corporation.

"Executive Officer" is defined by the legislation to mean (i) the chair of the Corporation, (ii) a vice-chair of the Corporation, (iii) the President of the Corporation, (iv) a vice-president of the Corporation in charge of a principal business unit, division or function such as sales, finance or production, or (v) an officer of the issuer or any of its subsidiaries or any other person who performed a policy-making function in respect of the Corporation.

During the Corporation's most recently completed financial year, the Corporation had one Named Executive Officer at any one time.

Summary Compensation Table

The following table sets forth all annual and long term compensation for services in all capacities to the Corporation and its subsidiaries for the three most recently completed financial years in respect of each Named Executive Officer as at December 31, 2004. No person received compensation in an amount greater than \$150,000 for the financial year ended December 31, 2004.

Name and Principal Position	Annual Compensation				Awards		Payouts	
	Year Ended December 31	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Option/ SARS ⁽¹⁾ Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP ⁽²⁾ Payouts (\$)	All Other Compensation (\$)
Robert B. Fraleigh	2004	nil	nil	nil	350,000	nil	nil	nil
President, Chief	2003	nil	nil	nil	nil	nil	nil	nil
Executive Officer & Chief Financial Officer	2002	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) "SARS" or "Stock appreciation right" means a right granted by the Corporation as compensation for services rendered, to receive a payment of cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities of the Corporation.
- (2) "LTIP" or "long term incentive plan" means any plan which provides compensation intended to serve as incentive for performance to occur over a period longer than one financial year, but does not include option or stock appreciation right plans or plans for compensation through restricted shares or restricted share units.
- (3) Mr. Fraleigh assumed the role of Named Executive Officer of the Corporation in 2004.

Stock Option Plan and Stock Options

The Corporation has adopted an incentive stock option plan (previously defined as the "Plan") which provides that the board of directors of the Corporation may from time to time, in its discretion, and in accordance with the requirements of the TSX Venture Exchange Inc. (the "Exchange"), grant to directors, officers, employees and technical consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of the Common Shares reserved for issuance, together with any options issued to eligible charitable organizations, will not exceed 10% of the issued and outstanding Common Shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of the Common Shares reserved for issuance to: (a) any individual director or officer will not exceed five percent (5%) of the issued and outstanding Common Shares; (b) all technical consultants will not exceed two percent (2%) of the issued and outstanding Common Shares; and (c) all eligible charitable organizations will not exceed one percent (1%) of the issued and outstanding Common Shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The following table sets forth, information in respect of all stock options granted and freestanding stock appreciation rights ("SARs") made during the financial year ended December 31, 2004 to the Named Executive Officers of the Corporation.

Options/SAR Grants During the Financial Year Ended December 31, 2004 to Named Executive Officers

Name and Principal Position of Named Executive Officers	Securities Under Options/SARs Granted	Percentage of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price per Security	Market Value of Securities Underlying Options/SARs on the Date of Grant ⁽¹⁾	Expiration Date
Robert B. Fraleigh	350,000	28%	\$0.10	nil	July 2, 2009

Notes:

- (1) The closing trading price of the Common Shares as traded on the TSX Venture Exchange Inc. on June 8, 2004, the last day of trading prior to July 2, 2004 was \$0.09.

Aggregated Option/SAR Exercises During The Most Recently Completed Financial Year and Financial Year-end Option/SAR Values

Options to purchase Common Shares exercised or exercisable during the financial year ended December 31, 2004 held by Named Executive Officer are described below:

Name	Common Shares Acquired on Exercise (\$)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2004 Exercisable/Unexercisable (#)	Value of Unexercised in-the-Money Options/SARs at December 31, 2004 Exercisable/Unexercisable ⁽¹⁾ (\$)
Robert B. Fraleigh	nil	nil	350,000/nil	\$87,500

Note:

- (1) The closing trading price of the Common Shares on the TSX Venture Exchange Inc. on December 31, 2004 was \$0.35.

No Named Executive Officers exercised any options or freestanding SARs during the Corporation's financial year ended December 31, 2004.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the Corporation's compensation plans under which equity securities are authorized for issuance as at the end of the most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
The Plan	1,250,000	\$0.10	2,351,437
Equity compensation plans not approved by security holders	nil	nil	nil
Total	1,250,000		2,351,437

Long Term Incentive Plans

The Corporation currently has no long term incentive plans, other than stock options granted from time to time by the board of directors under the provisions of the Plan.

Stock Appreciation Rights and Restricted Shares

No stock appreciation rights or restricted shares were granted by the Corporation to any of the Named Executive Officers of the Corporation during the last financial year ended December 31, 2004 and no SAR's exercised other than those disclosed under the section entitled "Employment Contracts" herein.

Pension and Retirement Plans and Payments Made Upon Termination of Employment

The Corporation does not have any pension or retirement plan which is applicable to the Named Executive Officer. The Corporation has not provided compensation, monetary or otherwise, during the preceding financial year, to any person who now or previously has acted as a Named Executive Officer of the Corporation, in connection with or related to the retirement, termination or resignation of such person and the Corporation has provided no compensation to such persons as a result of change of control of the Corporation, its subsidiaries or affiliates. The Corporation is not party to any compensation plan or arrangement with the Named Executive Officer resulting from the resignation, retirement or termination of employment of such persons except as described in "Compensation of Executive Officers" herein.

Employment Contracts

Other than herein set forth, the Corporation did not pay any additional compensation to the Executive Officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year.

A law firm of which a director of the Corporation, is a partner, was paid \$17,793 for professional legal fees and disbursements rendered on behalf of the Corporation during the financial year ended December 31, 2004. Other than as set forth below, the Corporation did not pay any additional compensation to the executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The board of directors of the Corporation is not aware of any indebtedness owed or owing by a director, Executive Officer, a nominee director or an associate or affiliate thereof since the last completed financial year of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein or as previously disclosed by the Corporation, the Corporation is not aware of any material transaction involving any informed person, proposed director, executive officer or any shareholder holding more than ten (10%) percent of the voting rights attached to the Common Shares of the Corporation or any associate or affiliates of any of the foregoing.

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations, and situations may arise where such directors and officers will be in competition with the Corporation. Individuals concerned shall be governed in any conflicts or potential conflicts by applicable law and internal policies of the Corporation.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as set forth in this Circular, no person who has been a director or Executive Officer of the Corporation at any time since the beginning of the last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any of the foregoing, has any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon other than the election of directors.

MANAGEMENT CONTRACTS

There are no management functions of the Corporation which are to any substantial degree performed by a person or company other than the directors or senior officers (or private companies controlled by them, either directly or indirectly) of the Corporation.

DIRECTOR COMMITTEES

Audit Committee

The following sets forth certain disclosure required by securities legislation relating to the mandate, function, terms of reference, composition and other policies and procedures of the Corporation related to the Audit Committee.

I. PURPOSE

The primary function of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities by reviewing:

- A. the financial information that will be provided to the shareholders and others;
- B. the systems of internal controls, management and the board of directors have established; and
- C. all audit processes.

Primary responsibility for the financial reporting, information systems, risk management and internal controls of the corporation is vested in management and is overseen by the board of directors.

II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of not fewer than three (3) directors.
- B. All Committee members shall be “financially literate” as defined in Multilateral Instrument 52-110 (“MI 52-110”).
- C. The Corporation’s auditors shall be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Committee, and to be heard at those meetings on matters relating to the auditors’ duties.
- D. The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the board of directors or shareholders.
- E. The Committee shall meet at least once (by person or by teleconference) in each fiscal quarter to review and approve the Corporation’s quarterly financial statements and managements’ discussion and analysis (“MDA”) for the immediately preceding fiscal quarter and to review and recommend approval by the full board of directors of the annual financial statements and MDA for the immediately preceding fiscal year.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the board of directors, the Committee will perform the following duties:

A. Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the full board of directors financial information that will be made publicly available. This includes:

- 1. review and recommend approval of the Corporation’s annual financial statements, MDA and news release and report to the full board of directors before the statements are approved by the board of directors;
- 2. review and approve for release the Corporation’s quarterly financial statements, MDA and press release; and
- 3. review the annual information form and any prospectus or private placement offering document.

Review and discuss:

- 4. the appropriateness of accounting policies and financial reporting practices used by the Corporation;

5. any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation; and
6. any new or pending developments in accounting and reporting standards that may affect the Corporation.

B. Risk Management, Internal Controls and Information Systems

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

1. review the Corporation's risk management controls and policies;
2. obtain reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management and external auditors; and
3. review management steps to implement and maintain appropriate internal control procedures including a review of policies.

C. External Audit

The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

1. review and recommend to the board of directors, for shareholder approval, engagement of the external auditor;
2. review the annual external audit plan, including but not limited to the following:
 - (a) engagement letter
 - (b) objectives and scope of the external audit work;
 - (c) procedures for quarterly review of financial statements
 - (d) materiality limit;
 - (e) areas of audit risk;
 - (f) staffing;
 - (g) timetable; and
 - (h) proposed fees.
3. meet with the external auditors to discuss the Corporation's annual financial statements, MD&A and the auditor's report (and quarterly if deemed appropriate) including the appropriateness of accounting policies and underlying estimates and resolve any disagreements between management and the external auditors regarding financial reporting;
4. review and advise the board of directors with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
 - (a) any difficulties encountered, or restriction imposed by management, during the annual audit;
 - (b) any significant accounting or financial reporting issue;
 - (c) the auditors' evaluation of the Corporation's system of internal controls, procedures and documentation;

- (d) the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
 - (e) any other matters the external auditor brings to the Committee's attention; and
 - (f) assess the performance and consider the annual appointment of external auditors for recommendation to the board of directors;
- 5. review the auditors' report on all material subsidiaries;
 - 6. review and receive assurances on the independence of the external auditors;
 - 7. review and pre-approve all non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit; and
 - 8. meet periodically, and at least annually, with the external auditors without management present.

D. Other

The Committee will also:

- 1. review insurance coverage of significant business risks and uncertainties;
- 2. review material litigation and its impact on financial reporting;
- 3. review policies and procedures for the review and approval of officers' expenses and perquisites;
- 4. review the terms of reference for the Committee annually and make recommendations to the board of directors as required; and
- 5. establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
- 6. review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors of the Corporation.

IV. Accountability

- A. The Committee Chairman has the responsibility to make periodic reports to the board of directors, as requested, on financial matters relative to the Corporation.
- B. The Committee shall report its discussions to the board of directors by maintaining minutes of its meetings and providing an oral report at the next board of directors meeting.

V. Committee Timetable

A proposed timetable of the Committee meetings shall be prepared at the beginning of each financial year.

VI. Reliance on Experts

In contributing to the Committees' discharging of its duties under this mandate, each member shall be entitled to rely in good faith on:

- A. financial statements of the Corporation represented to the member by an officer of the Corporation, or in a written report of the external auditors, to present fairly the financial position of the Corporation and the results of its operations in accordance with generally accepted accounting principles; and
- B. any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person:

The Board is of the view that monitoring of the Corporation's financial reporting and disclosure policies and procedures cannot be reasonably met unless the following activities (the "Fundamental Activities") are, in all material respects, conducted effectively:

- A. the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;
- B. the internal financial controls are regularly assessed for effectiveness and efficiency;
- C. the Corporation's quarterly and annual financial statements and MD&A are properly prepared by management in accordance with generally accepted accounting principles; and
- D. such financial statements are reported on by an external auditor appointed by the shareholders of the Corporation.

VII. Limitation of Committee's Duties

In contributing to the Committee's discharging of its duties under these terms of reference, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in these terms of reference is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to endeavour to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the objectives of the Corporation's financial reporting are being met and to enable the Committee to report thereon to Board.

Composition of the Audit Committee

The members of the Audit Committee include John C. Fraleigh, Robert B. Fraleigh and Michael J. Perkins, all of whom are financially literate, as such term is defined in MI 52-110.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of MI 52-110 (*De Minimis Non-audit Services*), or an exemption from MI 52-110, in whole or in part, granted under Part 8 of MI 52-110.

Pre-Approval Policies and Procedures

The Committee has adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "External Audit".

External Auditor Service Fees (By Category)

The approximate aggregate fees paid by the Corporation to the external auditors of the Corporation in each of the last two financial years for audit fees are described below:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2004	\$13,250	Nil	Nil	Nil
2003	\$11,500	Nil	Nil	Nil

Other

The Corporation is relying on the exemption provided in Section 6.1 of MI 52-110.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the board of directors of the Corporation, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

Management Report

The current board of directors of the Corporation have approved all of the information in the annual reports that accompany this Circular, including the audited financial statements for the financial year ended December 31, 2004, and the corresponding auditors report thereon.

Fixing Number of Directors and Election of Directors

For this forthcoming year, it is proposed that the board of directors shall consist of five (5) members. Management therefore intends to place before the Meeting, for approval, with or without modification, a resolution fixing the board of directors at five (5) members for the next ensuing year. It is the intention of the management designees, if named as proxy, to vote for the election of the following persons to the board of directors. Management does not contemplate that any of such nominees will be unable to serve as directors. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies in favour of management designees will be voted for another nominee in their discretion unless the shareholder has specified in his proxy that his shares are to be withheld from voting in the election of directors. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws of the Corporation.

The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by him or her, his or her municipality of residence, his or her principal occupation at the present and during the preceding five years, the period during which he or she has served as a director, and the number of voting Common Shares of the Corporation that he or she has advised are beneficially owned by him or her, directly or indirectly, or over which control or direction is exercised, as of the Effective Date.

Unless otherwise directed, it is the intention of the Management Designees to vote proxies in the accompanying form in favour of the ordinary resolution fixing the number of directors at five (5) members and the election of nominees hereinafter set forth, as a group, as directors for the ensuing year.

Name and Municipality of Residence	Principal Occupation for Past Five Years	Office Held	Date first Appointed	Voting Shares Beneficially Owned or over which Control or Direction is Exercised⁽¹⁾⁽²⁾
George W. Oughtred Calgary, Alberta, Canada	President of Privatbanken Holdings Inc., a private investment company, since 1983; Director of the Corporation until March 4, 2003.	Director Nominee	Director Nominee ⁽³⁾	10,030,500 (27.85%)

Name and Municipality of Residence	Principal Occupation for Past Five Years	Office Held	Date first Appointed	Voting Shares Beneficially Owned or over which Control or Direction is Exercised ⁽¹⁾⁽²⁾
John C. Fraleigh Calgary, Alberta, Canada	Since 2000, Managing Director of Boutraille Corporation, a private investment corporation; from 1998 to 2000 Senior Director of Corporate Development at Sabre Inc., a NYSE listed corporation; from 1994 to 1998 Principal, KPMG Corporate Finance Inc.	Director	June 30, 2004	2,928,571 (8.13%)
John J. Komarnicki Calgary, Alberta, Canada	President and Chief Executive Officer of Tartan Energy Inc. since January 1, 2002; Chairman, Chief Executive Officer and director of Tartan Energy Inc. from August 3, 2000 to January 1, 2002. Chairman, Chief Executive Officer and director of Albatross Oil & Gas Company Inc. from March 1998 to January 1, 2002; President of Komlin Investments Inc. since October 1998.	Director Nominee	Director Nominee	Nil
Robert B. Fraleigh Calgary, Alberta, Canada	From July, 1993, to August, 1998, President of Highview Resources Ltd., a public company; from April, 1992, to August, 1999, director and Vice-President of Firesteel Resources Inc., a mineral exploration company.	Director	April 18, 1995	1,015,000 (2.82%)
Michael J. Perkins Calgary, Alberta, Canada	Partner with Borden Ladner Gervais LLP, since July, 2002, prior thereto partner with Armstrong Perkins Hudson, LLP.	Director	April 1, 2002	120,000 (0.33%)

Notes:

- (1) The Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the date hereof, based upon information furnished to the Corporation by the above individuals. The information above does not include Options convertible into Common Shares.
- (2) Assumes 36,014,369 Common Shares issued and outstanding.
- (3) George W. Oughtred acted as director of the Corporation between April 18, 1995 and March 4, 2003.

The number of Common Shares of the Corporation beneficially owned, directly or indirectly, by all directors, executive officers and insiders of the Corporation as a group as at the date hereof is set forth below.

Designation of Class	Number of Shares	Percentage of Class
Common Shares	14,094,071	39.13%

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director, officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or has been within the past ten years, a director or officer of any other issuer that, while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days or became a bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director, officer or shareholder holding a sufficient number of securities of the corporation to affect materially the control of the Corporation has, been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by

a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian Securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

No director, officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such person has, within the past ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

Appointment of Auditor

The management of the Corporation intends to nominate Smith Chartered Accountants, for appointment as the auditors of the Corporation. Instruments of proxy given pursuant to the solicitation by the management of the Corporation will, on any poll, be voted as directed and, if there is no direction, in favour of the appointment of Smith Chartered Accountants, as the auditors of the Corporation to hold office until the close of the next annual general meeting of the Corporation, at a remuneration to be fixed by the directors. Smith Chartered Accountants was first appointed auditor of the Corporation by resolution of the shareholders on September 30, 2002.

Approval of Stock Option Plan

The current Plan is administered by the directors of the Corporation. The Plan provides that stock options will be issued pursuant to stock option agreements ("Option Agreements") which shall provide for the expiration of such stock options on a date not later than five (5) years after the issuance of such stock options. A maximum number of Common Shares equal to ten percent (10%) of the issued and outstanding Common Shares, from time to time, may be reserved for issuance under the Plan provided that stock options may not be granted in one twelve month period to an individual to purchase in excess of five percent (5%) of the then outstanding Common Shares unless disinterested shareholder approval is obtained. Stock options issued pursuant to the Plan shall have an exercise price determined by the directors of the Corporation provided that the exercise price shall not be less than the price permitted by the Exchange.

Subject to the particular provisions of Option Agreements, stock options granted under the Plan are non-transferable and expire the earlier of five (5) years after the date of grant or ninety (90) days from the date the optionee ceases to be an officer, director, employee or consultant of the Corporation. In the event of death of an optionee, options held by the estate of such optionee will expire the earlier of five (5) years from the date of grant or one (1) year from the date of ceasing to be an officer, director, employee or consultant of the Corporation due to death.

In accordance with the policies of the Exchange, the Plan must be renewed and approved on an annual basis. By resolution dated May 18, 2005, the board of directors resolve to renew and approve a stock option plan substantially upon the same terms as the existing Plan ("New Plan").

The shareholders of the Corporation will be asked to consider and if thought fit, approve an ordinary resolution authorizing the renewal and approval of the New Plan. **In the absence of contrary directions, the Management Designees intend to vote proxies in the accompanying form in favour of this ordinary resolution.**

The text of the ordinary resolution which management intends to place before the Meeting for the approval, adoption and ratification to adopt the New Plan is set forth below.

"BE IT RESOLVED as an ordinary resolution of the Corporation that:

1. the stock option plan of the Corporation substantially in the form attached as Exhibit 1 (the "New Plan") to the management information circular prepared for the purposes of this meeting be and is hereby renewed and approved as the stock option plan of the Corporation;
2. the form of the New Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval from the shareholders of the Corporation;
3. all issued and outstanding stock options previously granted, be and are continued under the New Plan and are hereby ratified, confirmed and approved;

4. the shareholders of the Corporation hereby expressly authorize the board of directors to revoke this resolution before it is acted upon without requiring further approval of the shareholders in that regard; and
5. any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

Other Business

Management is not aware of any other matters to come before the Meeting other than those set out in the Notice of Meeting. If other matters come before the Meeting, it is the intention of the individuals named in the form of proxy to vote the same in accordance with their best judgment in such matters.

GENERAL

All matters to be brought before the Meeting, other than the resolutions relating to the name change and consolidation, require, for the passing of same, a simple majority of the votes cast at the Meeting by the holders of Common Shares. If a majority of the Common Shares represented at the Meeting should be voted against the appointment of Smith Chartered Accountants, as the auditor of the Corporation, the board of directors will appoint another firm of chartered accountants based upon the recommendation of the Audit Committee, which appointment for any period subsequent to the 2005 meeting of shareholders shall be subject to approval by the shareholders at the Meeting.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR at www.sedar.com. Shareholders may contact the Corporation at (403) 261-3797 to request copies of the Corporation’s financial statements and MD&A. Financial information is provided in the Corporation’s comparative financial statements and MD&A for the Corporation’s most recently completed financial year.

BOARD APPROVAL

The contents and the sending of this Circular have been approved by the board of directors of the Corporation.

EXHIBIT I
ROYAL ROADS CORP.
STOCK OPTION PLAN

1. Purpose

The purpose of the stock option plan (the "Plan") of ROYAL ROADS CORP., a corporation incorporated under the Business Corporations Act (Alberta) (the "Corporation") is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Corporation (the "Shares"), thereby increasing their proprietary interest in the Corporation, encouraging them to remain associated with the Corporation and furnishing them with additional incentive in their efforts on behalf of the Corporation in the conduct of its affairs.

2. Administration

The Plan shall be administered by the board of directors of the Corporation or by a special committee of the directors appointed from time to time by the board of directors of the Corporation pursuant to rules of procedure fixed by the board of directors (such committee or, if no such committee is appointed, the Board of Directors of the Corporation, is hereinafter referred to as the "Board"). A majority of the Board shall constitute a quorum, and the acts of a majority of the directors present at any meeting at which a quorum is present, or acts unanimously approved in writing, shall be the acts of the directors.

Subject to the provisions of the Plan, the Board shall have authority to construe and interpret the Plan and all option agreements entered into thereunder, to define the terms used in the Plan and in all option agreements entered into thereunder, to prescribe, amend and rescind rules and regulations relating to the Plan and to make all other determinations necessary or advisable for the administration of the Plan. All determinations and interpretations made by the Board shall be binding and conclusive on all participants in the Plan and on their legal personal representatives and beneficiaries.

Each option granted hereunder may be evidenced by an agreement in writing, signed on behalf of the Corporation and by the optionee, in such form as the Board shall approve. Each such agreement shall recite that it is subject to the provisions of this Plan.

3. Stock Exchange Rules

All options granted pursuant to this Plan shall be subject to rules and policies of any stock exchange or exchanges on which the common shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "Exchange").

4. Shares Subject to Plan

Subject to adjustment as provided in Section 15 hereof, the Shares to be offered under the Plan shall consist of common shares of the Corporation's authorized but unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. If any option granted hereunder shall expire or terminate for any reason in accordance with the terms of the Plan without being exercised, the unpurchased Shares subject thereto shall again be available for the purpose of this Plan.

5. Maintenance of Sufficient Capital

The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

6. Eligibility and Participation

Directors, officers, consultants, and employees of the Corporation or its subsidiaries, and employees of a person or company which provides management services to the Corporation or its subsidiaries ("Management Company Employees") shall be eligible for selection to participate in the Plan (such persons hereinafter collectively referred to as "Participants"). Subject to compliance with applicable requirements of the Exchange, Participants may elect to hold options granted to them in an incorporated entity wholly owned by them and such entity shall be bound by the Plan in the same manner as if the options were held by the Participant.

Subject to the terms hereof, the Board shall determine to whom options shall be granted, the terms and provisions of the respective option agreements, the time or times at which such options shall be granted and vested, and the number of Shares to be subject to each option. In the case of employees or consultants of the Corporation or Management Company Employees, the option agreements to which they are party must contain a representation of the Corporation that such employee, consultant or Management Company Employee, as the case may be, is a bona fide employee, consultant or Management Company Employee of the Corporation or its subsidiaries.

A Participant who has been granted an option may, if such Participant is otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional option or options if the Board shall so determine.

7. Exercise Price

- (a) The exercise price of the Shares subject to each option shall be determined by the Board, subject to applicable Exchange approval, at the time any option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.
- (b) Once the exercise price has been determined by the Board, accepted by the Exchange and the option has been granted, the exercise price of an option may be reduced upon receipt of Board approval, provided that in the case of options held by insiders of the Corporation (as defined in the policies of the Exchange), the exercise price of an option may be reduced only if disinterested shareholder approval is obtained.

8. Number of Optioned Shares

- (a) The number of Shares subject to an option granted to any one Participant shall be determined by the Board, but no one Participant shall be granted an option which exceeds the maximum number permitted by the Exchange.
- (b) No single Participant may be granted options to purchase a number of Shares equalling more than 5% of the issued common shares of the Corporation in any twelve-month period unless the Corporation has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements.
- (c) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve-month period to any one consultant of the Corporation (or any of its subsidiaries).
- (d) Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued common shares of the Corporation in any twelve month period to persons employed to provide investor relation activities. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the options vesting in any 3 month period.

9. Duration of Option

Each option and all rights thereunder shall be expressed to expire on the date set out in the option agreement and shall be subject to earlier termination as provided in Sections 11 and 12, provided that in no circumstances shall the duration of an option exceed the maximum term permitted by the Exchange. For greater certainty, if the Corporation is listed on the TSX Venture Exchange ("TSX V"), the maximum term may not exceed 10 years if the Corporation is classified as a "Tier 1" issuer by the TSX V, and the maximum term may not exceed 5 years if the Corporation is classified as a "Tier 2" issuer by the TSX V.

10. Option Period, Consideration and Payment

- (a) The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange, provided that the option period shall be reduced with respect to any option as provided in Sections 11 and 12 covering cessation as a director, officer, consultant, employee or Management Company Employee of the Corporation or its subsidiaries, or death of the Participant.
- (b) Subject to any vesting restrictions imposed by the Exchange, the Board may, in its sole discretion, determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist.

- (c) Subject to any vesting restrictions imposed by the Board, options may be exercised in whole or in part at any time and from time to time during the option period. To the extent required by the Exchange, no options may be exercised under this Plan until this Plan has been approved by a resolution duly passed by the shareholders of the Corporation.
- (d) Except as set forth in Sections 11 and 12, no option may be exercised unless the Participant is at the time of such exercise a director, officer, consultant, or employee of the Corporation or any of its subsidiaries, or a Management Company Employee of the Corporation or any of its subsidiaries.
- (e) The exercise of any option will be contingent upon receipt by the Corporation at its head office of a written notice of exercise, specifying the number of Shares with respect to which the option is being exercised, accompanied by cash payment, certified cheque or bank draft for the full purchase price of such Shares with respect to which the option is exercised. No Participant or his legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any common shares of the Corporation unless and until the certificates for Shares issuable pursuant to options under the Plan are issued to him or them under the terms of the Plan.

11. Ceasing To Be a Director, Officer, Consultant or Employee

If a Participant shall cease to be a director, officer, consultant, employee of the Corporation, or its subsidiaries, or ceases to be a Management Company Employee, for any reason (other than death), such Participant may exercise his option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the Participant ceases to be a director, officer, consultant, employee or a Management Company Employee, unless such Participant was engaged in investor relations activities, in which case such exercise must occur within 30 days after the cessation of the Participant's services to the Corporation.

Nothing contained in the Plan, nor in any option granted pursuant to the Plan, shall as such confer upon any Participant any right with respect to continuance as a director, officer, consultant, employee or Management Company Employee of the Corporation or of any of its subsidiaries or affiliates.

12. Death of Participant

Notwithstanding section 11, in the event of the death of a Participant, the option previously granted to him shall be exercisable only within the one (1) year after such death and then only:

- (a) by the person or persons to whom the Participant's rights under the option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent that such Participant was entitled to exercise the Option at the date of his death.

13. Rights of Optionee

No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

14. Proceeds from Sale of Shares

The proceeds from the sale of Shares issued upon the exercise of options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

15. Adjustments

If the outstanding common shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation or another corporation or entity through re-organization, merger, recapitalization, re-classification, stock dividend, subdivision or consolidation, any adjustments relating to the Shares optioned or issued on exercise of options and the exercise price per Share as set forth in the respective stock option agreements shall be made in accordance to the terms of such agreements.

Adjustments under this Section shall be made by the Board whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Share shall be required to be issued under the Plan on any such adjustment.

16. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or the extent, if any, permitted by the Exchange. During the lifetime of a Participant any benefits, rights and options may only be exercised by the Participant.

17. Amendment and Termination of Plan

Subject to applicable approval of the Exchange, the Board may, at any time, suspend or terminate the Plan. Subject to applicable approval of the Exchange, the Board may also at any time amend or revise the terms of the Plan; provided that no such amendment or revision shall result in a material adverse change to the terms of any options theretofore granted under the Plan, unless shareholder approval, or disinterested shareholder approval, as the case may be, is obtained for such amendment or revision.

18. Necessary Approvals

The ability of a Participant to exercise options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any regulatory authority or stock exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation will be returned to the Participant.

19. Effective Date of Plan

The Plan has been adopted by the Board of the Corporation subject to the approval of the Exchange and, if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained.

20. Interpretation

The Plan will be governed by and construed in accordance with the laws of the Province of Alberta.

MADE by the board of directors of the Corporation as evidenced by the signature of the following director duly authorized in that capacity effective the 18th day of May, 2005.

ROYAL ROADS CORP.

Per: "Robert B. Fraleigh"

Robert B. Fraleigh

President and Director

Attest: _____
Notary Public for the State of _____
My Commission Expires: _____

16. Witnesses

I, _____, do hereby certify that the foregoing is a true and correct copy of the original as the same appears to me.

17. Notary Public for the State of _____

I, _____, do hereby certify that the foregoing is a true and correct copy of the original as the same appears to me.

18. Notary Public for the State of _____

I, _____, do hereby certify that the foregoing is a true and correct copy of the original as the same appears to me.

19. Notary Public for the State of _____

I, _____, do hereby certify that the foregoing is a true and correct copy of the original as the same appears to me.

20. Notary Public for the State of _____

I, _____, do hereby certify that the foregoing is a true and correct copy of the original as the same appears to me.

I, _____, do hereby certify that the foregoing is a true and correct copy of the original as the same appears to me.

Notary Public for the State of _____

I, _____, do hereby certify that the foregoing is a true and correct copy of the original as the same appears to me.